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SUBJECT: INDIA WELCOMES GILANI'S INAUGURATION, ANTICIPATES
HIS DEMISE, BLASTS PAKISTAN'S ISI

REF: NEW DELHI 00542

Classified By: PolCouns Ted Osius for Reasons 1.4 (B, D)

¶1. (C) Summary: Prime Minister Singh warmly congratulated the new Pakistani Prime Minister, Syed Yousuf Raza Gilani, on the occasion of his taking office March 25 and expressed GOI optimism that Indo-Pakistani ties will improve. Kashmiri politicians expressed similar optimism for Gilani's tenure, especially regarding the prospect for a resolution of the Kashmiri issue. Indian security officials have not changed their assessment of Pakistan as a major threat to Indian domestic security and an active exporter of terrorist activity, with NSA Narayanan spoiling the bonhomie by taking public potshots at the Pakistani intelligence service for continuing to groom the Lashkar-e-Tayiba and the Jaish-e-Muhammad to target India. Indian analysts cast doubt upon Gilani's chances for surviving politically, predicting challenges from within his party, in the form of Asif Zardari and Amin Faheem and a possible showdown with President Musharraf. Despite Narayanan's grumpiness, likely sparked by two recent terrorist attacks in Srinagar, the Pakistan National Day reception was a very well-attended and glittering affair, with everyone from the RSS to Kashmiri separatists enjoying fruit juice and kabob on the lawns of the High Commission. The reception, and India's unusual year of public restraint in complicating matters for the Pakistanis, shows that even this relationship is starting to become normal. End Summary

-- INDIA WELCOMES GILANI --

¶2. (C) Prime Minister Singh warmly congratulated the new Pakistani Prime Minister, Syed Yousuf Raza Gilani, on the occasion of his taking office March 25. Singh sent a letter to Gilani in which he stated that India sees "a stable, prosperous and democratic Pakistan as being in the interest of India and the region" and expressed his desire to work closely together with Gilani to raise Indo-Pakistani relations to its "best ever" level. MEA Deputy Secretary G. Balasubramaniam (Pakistan) told Poloff on March 26, "India has made all the rights noises to Pakistan, and we expect an echo back." The many Delhiites who hail from Multan, including one Supreme Court lawyer who founded a society for Multanis in India and in the U.S., told DepPolCouns (who is part Multani) at the

Pakistan National Day reception that they were overjoyed that a Multani had become Prime Minister, saying it was a victory for "one of us."

-- BUT SECURITY OFFICIALS REMAIN ALERT --

13. (C) The Indian security apparatus has warned publicly that despite the breath of fresh air in the bilateral relationship as a result of Gilani's selection, it still sees Pakistan as a source of terrorist activity aimed at India. At a March 26 lecture in New Delhi National Security Advisor M.K. Narayanan stated "Attacks on India from the soil of Pakistan will continue" and "we see no change in the attitude of ISI (the Pakistani Inter-Services Agency) to mentor terrorist activities of (known terrorist groups)." A paper released by the Indian Home Ministry on March 26 reinforced Narayanan's statements, claiming that terrorist infrastructure in Pakistan and Pakistan-occupied Kashmir remains largely intact and continues to be used by ISI-sponsored terrorist groups in carrying out terror attacks inside India. We speculate that Narayanan's undiplomatic remarks, which broke the Indian rule of avoiding saying anything bad in public for fear of destabilizing Pakistan at a delicate juncture, were the result of security service unhappiness about a recent car bombing and shootout in Srinagar after many months of calm.

-- KASHMIRI LEADERS EXPRESS OPTIMISM --

14. (U) Both the current chief minister Ghulab Nabi Azad and former chief minister Mufti Muhammad Sayeed of Jammu and Kashmir (J & K) expressed in press statements optimism that Gilani's appointment has ended much of the domestic political uncertainty in Pakistan and will reinvigorate the Indo-Pakistani peace dialogue, with positive implications for the people of J & K. The Kashmiri Hurriyat Conference faction, led by Mirwaiz Umar Farooq, added that Pakistan's stability and J & K's well-being were "inter-reliant."

-- PUNDITS SEE DIFFICULTIES FOR GILANI --

15. (U) New Delhi editorialists predict an uphill battle for Gilani, both in the job of stabilizing Pakistan and to remain in power. Noting Gilani's decision to free imprisoned judges who have been vociferously critical of Musharraf, some Indian media observers expect that this may bring the new Prime Minister into direct confrontation with Musharraf, with some anticipating Gilani will go as far as initiating impeachment proceedings against the President, provoking an all-out political Gotterdammerung. Other analysts predict that regardless of a potential showdown with Musharraf, Gilani will soon face another battle within his own party, in the shape of a challenge either from Faheem, who some speculate bears a grudge for being passed over as PM and may be plotting a revolt, or from Asif Zardari, assuming he succeeds in gaining a parliamentary seat in a by-election and thereby position himself to challenge Gilani for the Prime Minister's chair.

-- BILATERAL DIALOGUE TO INTENSIFY --

16. (C) GOI contacts have been telling Post for several months that the Indian government expects several tracks of bilateral dialogue to resume once political stability has returned to Pakistan. In the coming weeks, Foreign Secretary Menon is expected to travel to Islamabad to

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resume the Composite Dialogue process, to be followed by a visit by External Affairs Minister Mukherjee. GOI sources have told the media that these visits are likely to prepare the ground for high-level political dialogue and a possible, oft-delayed state visit by Prime Minister Singh.

-- COMMENT: INDIA PUBLICLY HOPES FOR BEST, PRIVATELY PREPARES FOR THE WORST --

17. (C) COMMENT: The GOI's public reaction to Gilani's

appointment was effusively optimistic and welcoming, but this does not reflect bonhomie as much as realpolitik. The GOI has little other option but to make encouraging noises as Pakistan attempts to right itself, with hope that bilateral relations will continue on the positive path set in recent years. India's chattering class is skeptical in its public statements, expressing guarded praise for Pakistan's movement towards a democratically elected government, but harboring deep doubts that the government can long stand, seeing threats both from within - Zardari and Faheem - and without, from Musharraf, the willful Chief Justices, and possibly Nawaz Sharif. Regardless of how Pakistani politics plays out, New Delhi appears eager to stay away from provoking any problems for the Pakistani government, even as it moves ahead with the Composite Dialogue and, it hopes, works to enhance the generally stable relationship for which Musharraf can take much credit. One sign that relations with Islamabad are veering towards normalcy was the well-attended Pakistan National Day reception. In stark contrast to years past, a healthy slice of Delhi's elite - from the right wing Hindu RSS to the Jammu and Kashmir Liberation Front - strolled the manicured gardens, enjoying rib-tickling jokes with their Pakistani hosts and generally saying to one and all that this was their national day, too, since so many of the invited guests trace their ancestry to what is now Pakistan. END COMMENT.

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